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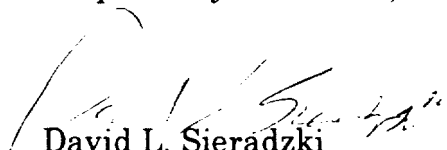
Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth St., S.W.
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service,
CC Docket No. 96-45; Multi-Association Group Plan,
CC Docket Nos. 00-256, 96-45, 98-77, and 98-166 /

Dear Ms. Salas:

I am writing on behalf of the Competitive Universal Service Coalition ("CUSC") to notify you that CUSC made an *ex parte* presentation today to Carol Matthey, Deputy Chief, Common Carrier Bureau, and Katherine Schroder, Chief, Accounting Policy Division, Common Carrier Bureau. Participants on behalf of CUSC included Mark Rubin, Director of Federal Affairs, Western Wireless Corp; David LaFuria of Lukas, Nace, Gutierrez & Sachs, Chtd., counsel for Smith Bagley, Inc.; and me. The attached hand-out summarizes the key points we made during the presentation.

Respectfully submitted,


David L. Sieradzki
Counsel for the Competitive Universal
Service Coalition

Enclosures

cc: Carol Matthey
Katherine Schroder

Presentation on the RTF and MAG Plans
April 2001

- ***Principles of (1) Competitive and Technological Neutrality; (2) Economic Efficiency; and (3) Transparency:*** These principles are more important now than ever.
- ***Stimulate Investment in Rural Areas Through Greater Competition, Not Unconstrained Funding Growth:*** CUSC generally supports the RTF plan, and opposes the MAG proposal to eliminate limits on high-cost funding growth, which would burden telecom consumers nationwide. There is no legal or policy basis for giving ILECs revenue guarantees.
 - ***Retain Constraints on Growth of the Fund,*** with RTF recommendations as a ceiling. “Safety net additives,” catastrophic event adjustments, and the like may be unnecessary, or if allowed must be carefully controlled.
 - ***No Artificial Incentive to Sell Exchanges:*** Retain § 54.305, with strict limits on any additional “safety valve” funding. Carriers purchasing exchanges should recover their investments from their own customers, not the USF. New study areas created by sales of exchanges must not be treated as “rural telcos” for ETC designation or service area purposes.
- ***Eliminate Implicit Subsidies for All Rural ILECs:*** Reject MAG’s “Path B,” in which rural ILECs could “opt out” of changes and retain implicit subsidies.
 - ***Raise SLCs and Move Access Rates Toward Cost:*** The existing implicit subsidies in interstate access charges should be eliminated.
 - ***All Rural ILECs Must Move Implicit Subsidies Into an Explicit and Portable Fund:*** the RAS or HCF-III.
- ***Disaggregation and Targeting of Support:*** CUSC generally supports disaggregation of rural ILEC study areas – with three caveats:
 - ***Reduce Gamesmanship:*** Disaggregation plans may be proposed by ILECs or by competitive ETCs. Such plans must either be approved by state commissions, or must comply with clear criteria that ensure that such plans are demonstrated to be cost-based using publicly verifiable data.
 - ***Transparency:*** No disaggregation below the wire center level without state approval based on a public proceeding and detailed cost information.
 - ***Competitive Neutrality:*** The same disaggregated study areas must govern competitive ETC “service areas” as well as distribution of funding.

- ***Competitive ETC Issues:*** Adopt the RTF's pro-competitive recommendations:
 - ***Eliminate the Funding Lag:*** Clarify the rules and shorten the interval between the provision of service and receipt of universal service funding.
 - ***Transparency:*** Publicize, in an easy-to-use format, the per-line amount of support available in each geographic location.
 - ***Change in Funding Rules:*** The funding formula change triggered by competitive entry must not be a basis for denying ETC designation.
 - ***Service Locations:*** Wireless customers' residential or business locations should determine their geographic locations for support purposes.
- ***Regulate Dominant Carriers, Not Non-Dominant Carriers:***
 - ***Rural ILECs Possess Market Power, and Must Not Be Allowed To Pick and Choose How They Will Be Regulated:*** The Commission should reject the MAG proposals to allow rural ILECs to decide whether and when to move each of their study areas into incentive regulation, and whether and when to move out of NECA pools. The excessive optionality in the MAG plan would undermine transparency and would violate Act's requirement that funding system be "specific" and "predictable."
 - ***IXCs Should Not Be Subject to Rate Regulation:*** The MAG proposal to impose new regulations on non-dominant IXCs is unnecessary and contravenes 20 years of FCC precedent.